

Internal Audit Compliance Checklist

**CARD GAMES
TESTING PROCEDURES**

Licensee: _____ Review Period: _____

NGC Regulation 6.090(15) requires the internal auditor to use “guidelines, checklists, and other criteria established by the Chair” in determining whether a Group I licensee is in compliance with applicable statutes, regulations, and Minimum Internal Control Standards (“MICS”). The use of this checklist satisfies these requirements.

Objectives:

To determine if controls for card games are adequate to ensure card games revenues are accurately stated in financial records and comply with the MICS.

Checklist Completion Notes:

- 1) Each step contains a parenthetical notation at the end of the step to designate the purpose of the step. Steps to ascertain compliance with a regulation or minimum standard will be followed by the appropriate regulation or standard. Steps to test the clerical accuracy of revenue will be followed by “Revenue.” Steps to determine whether assets were protected will be followed by “Asset Protection.”
- 2) The minimum standards quoted on this checklist are from Version 9 of the standards.
- 3) Document the completion of the procedures listed below. All exceptions noted should be carried to the Audit Report/Summary of Findings for timely follow-up. Indicate the workpaper reference in which the exception has been carried forward to, as applicable, in the “Exception/Comment” column.

Scope:

Unless otherwise indicated, select 1 day per year. **Indicate Test Date:** _____

MICS Variations and Regulation Waivers:

Review the MICS variations and regulation waivers scheduled during the card games walkthrough procedures. Modify and/or perform additional procedures as applicable. Note below the number of the procedures modified or added. Only the last two columns need to be completed if the remaining information is scheduled in the “Walkthrough Procedures Checklist.”

| Date Approval Granted | MICS Number or Regulation | Description of Variation/Waiver Granted or Associated Equipment Approval | Number(s) of Procedure Modified or Added | W/P Ref. (if appl.) |
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✓ - Step completed without exception

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| | Step completed without exception | Exception/Comment |
|--|----------------------------------|-------------------|
| Test Date Selected: | | |
| 1. Review prior internal audit reports. Schedule any relevant exceptions cited, including those cited by the NGCB or the CPA, or include a copy of the prior audit reports in the workpapers and follow-up on any problems noted. Duplication of exceptions when the CPA is referring to exceptions reported in internal audit reports is not necessary. | | |
| 2. Foot and cross-foot the card games drop on the master games summary. (Revenue) | | |
| 3. Examine the master games summary for: | | |
| a) Trace the count team members to the licensee's Regulation 6.130 filings. Note: If the test date falls in the current quarter and an employee was hired during the current quarter, indicate the date the employee started in the count and complete the step for this employee during the next card games department contact. | | |
| b) Proper treatment of skill play. (Revenue) | | |
| c) Proper treatment of promotional items, including drawings and giveaway programs. (Revenue) | | |
| 4. Determine if win has been properly computed on the master games summary. (Revenue) | | |
| 5. Trace cash drop on the master games summary to cage accountability or cash summary sheets. (Asset Protection) | | |
| 6. Trace card games win on the master games summary to the daily amount for card games win indicated on the monthly card games recap report. (Revenue) | | |
| 7. For the month in which a test day was selected, foot the daily amount of card games win in the monthly card games recap report and trace the footed total to the month-to-date amount on the card games recap report. (Revenue) | | |

✓ - Step completed without exception

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| | Step completed without exception | Exception/Comment |
|--|----------------------------------|-------------------|
| <p>Test Date Selected:</p> <p>8. For the month in the previous procedure, trace the month-to-date win per the card games recap report to the general ledger and monthly NGC tax return. Examine general ledger accounts for the propriety of any activity that affects reported revenue. (Revenue)</p> | | |
| <p>9. If promotional pots and pools have been offered, for one test day, review a cash reconciliation form to determine that at least once a day, increases/decreases to the progressive sign/meter were reconciled to the cash previously counted or received by the cage. MICS #25</p> <p>Note: Indicate test day if different from above.</p> | | |
| <p>10. For the month in which a test day was selected, for one test day in which a contest/tournament was conducted, review the appropriate documentation including the monthly contest/tournament log summarizing total entry fees/rebuys and total payouts (cash and non-cash prizes) for the day. Determine that all entry fees/rebuys and payouts are included on the monthly contest/tournament log. (Revenue)</p> <p>Note: If no contests/tournaments were offered in the month selected, then choose another month in which a contest/tournament was conducted. When after reviewing other months and no such activity is noted, it is acceptable to indicate that there was no contest/tournament activity noted in the time periods reviewed and then also indicate the results of an inquiry of such activity.</p> | | |

✓ - Step completed without exception

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| | Step completed without exception | Exception/Comment |
|--|----------------------------------|-------------------|
| <p>Test Date Selected:</p> <p>11. For the test day in the previous procedure, verify that revenue from contests/tournaments was properly calculated for each event. Foot the revenue for each event in the month to determine that contest/tournament revenue was properly reported on the NGC tax return. NRS 463.0161 and Regulation 6.110(12) (Revenue)</p> <p>Note: The payouts paid out to participants must not be deducted from gross revenue in an amount that exceeds the entry fees. Additionally, a licensee shall calculate and report gross revenue on an independent, contest-by-contest or tournament-by tournament, basis and only upon the conclusion of the contest or tournament. Regulation 6.110(12)</p> | | |
| <p>12. Review the appropriate documentation to determine that: Regulation 6.110</p> <p>a) Compensation received from conducting card games is included in gross revenue.</p> | | |
| <p>b) Card room bank and card table bank overages/shortages are excluded from the computation of gross revenue.</p> | | |
| <p>c) Skill wins and losses are excluded from the computation of gross revenue.</p> | | |
| <p>13. For computerized card game systems, examine the system exception report for propriety of transactions and unusual occurrences. The review should include, but is not limited to, system malfunctions. (Asset Protection)</p> <p>Note: A system exception report documents when event data or system parameters are changed. This report may be titled with various names. This report documents data or parameters altered; data or parameter value prior to alteration; data or parameter value after alteration; date and time of alteration; and identification of user that performed alteration.</p> | | |

✓ - Step completed without exception

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| Auditor's Name and Date |
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| | Step completed without exception | Exception/Comment |
|--|----------------------------------|-------------------|
| Test Date Selected: | | |
| 14. For a computerized card game system, at the application level, obtain the user access listing: | | |
| a) For computerized systems that have group membership (group profile), select five group profiles and determine whether the job functions (rights) assigned to the group profile are appropriate for the group. In addition, select one employee from each of the groups and determine whether the group profile is appropriate for the employee. | | |
| b) For computerized systems that have individual profiles (profiles are customized for each employee), select ten employees, encompassing as many positions as possible, and determine whether the job functions (rights) assigned to each employee are appropriate for the employee. | | |
| c) Verify that 5 terminated employees, which occurred during the review period, have been changed in the system from active to inactive status. | | |
| d) Verify that 5 active employees have changed their passwords within the last 90 days. | | |
| <u>Procedures Modified or Added:</u> | | |
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✓ - Step completed without exception